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Of Attorneys for Debtor-in-Possession

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF OREGON

In re ) Case No. 16-30406-rld11  
)  
SeaPort Airlines, Inc., ) DEBTOR'S MOTION FOR ORDER  
) AUTHORIZING MAINTENANCE OF CASH  
) MANAGEMENT SYSTEMS AND FOR  
) CONTINUED USE OF CERTAIN EXISTING  
) BANK ACCOUNTS  
Debtor-in-Possession.) **Expedited Hearing Requested**

Debtor-in-Possession, SeaPort Airlines, Inc. ("Debtor") requests entry of an order (i) authorizing the authorizing maintenance of cash management systems and for continued use of certain existing bank accounts. In support of this Motion Debtor represents and states:

1. On February 5, 2016 (the "Petition Date"), the Debtor commenced a reorganization case by the filing of a voluntary petition under Chapter 11 of the United States Bankruptcy Code (the "Code").

2. Pursuant to Sections 1107 and 1108 of the Code, the Debtor is continuing in possession of its property and is operating and managing Debtor's business as a debtor-in-possession.

3. The Court has jurisdiction over this matter pursuant to 28 U.S.C. § 1334(b) and the standing order of reference of the District Court. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper under 28 U.S.C. §§ 1408 and 1409.

4. The Debtor requests an order authorizing maintenance of cash management systems and for continued use of its existing bank accounts and business forms.

5. To avoid disruption to the ordinary and usual financial affairs of the Debtor and the resultant adverse affect to the Debtor's reorganization, it is essential that the Debtor be permitted to maintain its existing accounts.

### **Background**

6. Debtor is an Alaska corporation with its principal place of operations in Portland, Oregon that operates a scheduled airline in the United States out of its principal hubs at the Portland International Airport ("PDX") and Memphis International Airport ("MEM"). A regional airline focused on connecting rural communities to the national transportation network, Debtor operates a fleet of five (5) leased aircraft on routes with destinations in El Dorado, Harrison and Hot Springs, Arkansas; Houston, Texas; Memphis, Tennessee; and Pendleton and Portland, Oregon.

7. Due to a change in federal regulations on pilot qualifications, small airlines like Debtor have experienced an extreme attrition in available pilots. As such, Debtor has had to implement a new recruitment and retention plan for its pilots.

8. However, the pilot shortage problem was far greater than Debtor could reasonably accommodate and as a result, Debtor had to cancel service to many areas for its survival. Within the last thirty days, Debtor has had to cease flights to Sacramento, Visalia, Burbank, San Diego and Imperial, California, as well as North Bend, Oregon

(effective March 20, 2016); Salina and Great Bend, Kansas; Kansas City, Missouri; and San Felipe, Baja California in Mexico.

9. As a result of the foregoing events, Debtor has seen a drastic reduction in its revenues and is unable to meet its current liquidity needs. In order to implement its planned reorganization, Debtor requires stability with its current revenue streams and payment systems. For that reason Debtor seeks approval of this Motion.

### **Debtor's Existing Accounts**

10. The Debtor utilizes its cash management system in the ordinary and usual course of its business. Revenues from Debtor's ticket sales are deposited into the Debtor's accounts with Bank of the West, First Republic, U.S. Bank or Wells Fargo Bank, depending on the source of the purchase sale. Attached hereto as **Exhibit "A"** and incorporated herein by reference is a list of the Debtor's existing accounts (the "Accounts").

11. The accounts with Bank of the West are tied to the Debtor's arrangements with Gravity Payments, Inc. and Airline Reporting Corporation ("ARC"), a clearinghouse; these accounts receive payments for reservations made through Debtor's own reservation system (Gravity Payments, Inc.) and through third-parties (ARC). The First Republic account served as the Debtor's primary operating account and is scheduled to receive, post-petition, Essential Air Service (EAS) payments; while the Debtor is in the process of moving these payments to new DIP account(s), the currently scheduled payments will be paid into the existing account and Debtor intends to transfer the same and move future EAS payments into the newly created DIP account(s), allowing this account to be closed. U.S. Bank receives deposits and allows offsets for the amounts paid or payable to Simplified Interline Systems ("SIS"), a clearing house; this account receives payments for

interline reservations (e.g. multi-leg reservations booked through other airlines); participation in SIS requires the use of a U.S. Bank account. The Wells Fargo Bank accounts are connected to the agreement with American Express; this account receives payments for reservations made through Debtor's own reservation system.

12. Debtor utilizes its Accounts and cash management system in the ordinary and usual course of its business. The Debtor requires the ability to continue the current structure for the management of its cash to continue its operations, including payment of essential vendors and payroll. Moreover, the Accounts are intertwined with Debtor's arrangements with its merchant services providers and clearinghouses. Therefore, unless the relief requested is granted, Debtor may be deprived of the opportunity to reorganize.

13. The Debtor maintains current and accurate accounts of transactions in the Accounts. Under the circumstances, maintenance of the existing cash management system and Accounts will allow for minimal disruption to the Debtor's operations and is essential to the successful reorganization of the Debtor. Such avoidance of disruption is also in the best interests of the estate and all parties in interest.

14. Furthermore, the cash management system utilized by the Debtor is familiar to the Debtor's employees, the banks at which the Debtor maintains the Accounts, its customers, suppliers, and employees.

### **Relief Requested**

15. By this Motion, Debtor seeks entry of an order (a) authorizing the continued use of the Accounts and (b) waiver of the stay imposed by Bankruptcy Rule 6004(h). In connection with this relief, the Debtor respectfully requests a waiver of certain of the operating guidelines established by the Office of the U.S. Trustee for the District of Oregon

that require the Debtor to close all prepetition bank accounts, open new accounts designated as debtor-in-possession accounts, and provide for new business forms and stationary.

### **Continued Use of the Debtor's Existing Accounts**

16. The Operating Guidelines and reporting requirements promulgated by the Office of the U.S. Trustee require that a Chapter 11 debtor close its prepetition bank accounts and open new accounts. This requirement is designed to (a) provide a clear line of demarcation between prepetition and post-petition transactions and operations, and (b) block the inadvertent payment of prepetition claims through the payment of checks drawn prior to the commencement of a debtor's case.

17. The potential benefits which may be obtained by close Debtor's Accounts and opening new accounts is outweighed by the disruption that such closures would necessitate. Prior to this Chapter 11 case, in the ordinary course of businesses, revenues from the Debtor's operations were deposited into the Accounts on a daily basis. At the same time, Debtor's expenses in booking its own customers through interline sales were swept from the Accounts. If Debtor is unable to process payments and receive revenues from its own sales (or the sales of third-party travel agencies), it will be unable to pay its post-petition expenses. If Debtor is unable to receive and make interline reservations, Debtor's revenues will also suffer.

18. Substantial disruptions and delays in payments to the Debtor's creditors, for any vital and necessary prepetition obligations the Court may authorize the Debtor to pay and for postpetition obligations, could occur if the Debtor is prohibited from continuing to use the Accounts.

19. To avoid such problems and to ensure as smooth a transition into Chapter 11 as possible, with minimal disruption to ongoing financial and administrative operations, it is imperative that the Debtor be permitted to continue using the Accounts.

20. The Debtor maintains sufficient accounting controls to account for all funds and all transactions in the Accounts. Requiring the Debtor to open new accounts would drastically slow down the collection of funds and would be unduly burdensome; the benefits which could be achieved by closing such Accounts is outweighed by the harms and burdens which will occur from closing such Accounts.

21. Concurrently with the instant motion, the Debtor filed a motion with this Court requesting authority to pay prepetition wages and benefits. In connection therewith, to minimize the disruption of the Debtor's business and to prevent the substantial administrative burden associated with opening a new payroll account and paying payroll manually, the Debtor requests authority to continue to use that certain of its Account currently utilized as its payroll clearing account. Provided the Court authorizes the payment of all prepetition wages, the Debtor respectfully requests the Court's authority to honor payroll checks issued prior to the Petition Date but presented for payment after the Petition Date and to honor those payroll checks authorized by the Order Authorizing Debtors-In-Possession To Pay Wages, Salaries, Expenses, Bonuses, Deductions, Insurance Premiums and 401(k) Contributions.

WHEREFORE, the Debtor respectfully requests that the Court enter an Order:

(1) authorizing the Debtor to maintain its existing cash management system and the Accounts as described herein;

(2) authorizing the Debtor to continue to utilize the existing Accounts and authorizing the banks at which those accounts are maintained to allow transfers to be

made from and deposits in those accounts in the same manner as transfers and deposits were made prior to the Petition Date;

(3) authorizing the Debtor to continue to utilize the existing Accounts and directing the banks at which the Accounts are maintained not to honor checks drawn on such accounts and dated prior to the filing of the Debtor' voluntary petition for relief, except as otherwise allowed by this Court.

(4) authorizing the Debtor to continue to utilize the existing Accounts for payroll, and to the extent the Court has authorized the payment of prepetition employee wages and other employee benefits, further authorizing the bank at which the Payroll Account is maintained to honor all payroll checks issued prior to the Petition Date and pursuant to the Order Authorizing Debtors-In-Possession To Pay Wages, Salaries, Expenses, Bonuses, Deductions, Insurance Premiums and 401(k) Contributions.

(5) waiving the ten day stay of Bankruptcy Rule 6004(h); and

(6) granting such other and further relief as the Court deems just and proper.

Respectfully submitted;

VANDEN BOS & CHAPMAN, LLP

By: /s/Robert J Vanden Bos  
Robert J Vanden Bos, OSB #78100  
Douglas R. Ricks, OSB #044026  
Christopher N. Coyle, OSB #07350  
Of Attorneys for Debtor-in-Possession

# EXHIBIT A



**Exhibit A**  
SeaPort Airlines, Inc. Existing Accounts Sought to be Retained

<b>Bank</b>	<b>Account</b>	<b>Reason for Retention</b>
Bank of the West	*-4243	Account receives payments from Gravity Payments, Inc. (credit card processor) and Airline Reporting Corporation (third-party reservations).
Bank of the West	*-6248	Account receives payments from Gravity Payments, Inc. and Airline Reporting Corporation.
First Republic Bank	*-0854	Account received Essential Air Service payments.
First Republic Bank	*-1282	Account serves as Payroll clearing account.
U.S. Bank	*-7725	Account received payments from Simplified Interline Systems ("SIS"), a clearing house, and is required for participation in SIS.
Wells Fargo Bank	*-4435	Account receives payments from American Express (credit card processor).

# **PROPOSED FORM OF ORDER**

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF OREGON

In re ) Case No. 16-30406-rld11  
 )  
SeaPort Airlines, Inc., ) ORDER GRANTING DEBTOR'S MOTION FOR  
 ) ORDER AUTHORIZING MAINTENANCE OF  
 ) CASH MANAGEMENT SYSTEMS AND FOR  
 ) CONTINUED USE OF CERTAIN EXISTING  
Debtor-in-Possession.) BANK ACCOUNTS

THIS MATTER came before the Court on \_\_\_\_\_, 2016, at \_\_:\_\_\_\_  
\_\_m. on SeaPort Airlines, Inc.'s ("Debtor") Debtor's Motion for Order Authorizing  
Maintenance of Cash Management Systems and for Continued Use of Certain Existing  
Bank Accounts (the "Motion"), due and adequate notice under the circumstances having  
been given, and the Court otherwise being fully advised,

NOW, THEREFORE, it is ORDERED as follows:

1. Debtor is authorized to utilize the Accounts (a listing of which is attached hereto  
as **Exhibit A**) as described in the Motion at Bank of the West, First Republic  
Bank, U.S. Bank and Wells Fargo Bank ("Banks").
2. To the extent required to allow Debtors to continue to use the Accounts, Debtors  
are granted a waiver of those certain of the operating guidelines established by

the Office of the U.S. Trustee for the District of Oregon that would otherwise require the Debtor to close all prepetition bank accounts, open new accounts designated as debtor-in-possession accounts, and provide for new business forms and stationary. However, Debtor is still to close all other prepetition bank accounts, open new accounts designated as debtor-in-possession accounts, and take all reasonable steps to migrate Debtor's cash management into the new accounts designated as debtor-in-possession accounts.

3. The Banks at which the Accounts are maintained are hereby authorized to allow transfers to be made from, and deposits to be made into the Accounts in the same manner as transfers and deposits were made prior to the Petition Date.
4. Checks drawn on the Accounts dated prior to the Petition Date and the payment of other prepetition obligations shall be paid only upon authorization of this Court. The Court authorizes that payroll checks issued prior to the Petition Date and drawn on the First Republic Account utilized as the payroll clearing account may be honored. Further, the Court authorizes the allowance of prepetition obligations outlined in "Debtor's Motion for an Order Authorizing Payment or Honoring of Prepetition Obligations to Ticket Holders, Travel Agents and Interline Sales Partners and Obligations for Bank Charges" (the "Ticket Holder Motion"), as outlined in the Ticket Holder Motion.
5. Nothing contained herein shall prevent the Debtor from open new accounts designated as debtor-in-possession accounts or closing such Accounts as the Debtor deems necessary.
6. The 10 day stay of Bankruptcy Rule 6004(h) is hereby waived and this order shall be immediately effective.

7. This Court shall retain jurisdiction to hear and determine all matters arising from the implementation of this Order. This Order shall be without prejudice to any party seeking to implement the UST Guidelines with respect to one or more of the Accounts.

###

I certify that I have complied with the requirements of LBR 9021-1(a)(2)(A).

PRESENTED BY:

**First Class Mail:**

See Attached List

/s/Robert J Vanden Bos  
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**Electronic Mail:**

The foregoing was served on all CM/ECF participants through the Court's Case Management/ Electronic Case File system.

Of Attorneys for Debtor-in-Possession

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Wells Fargo Bank	*-4435	Account receives payments from American Express (credit card processor).